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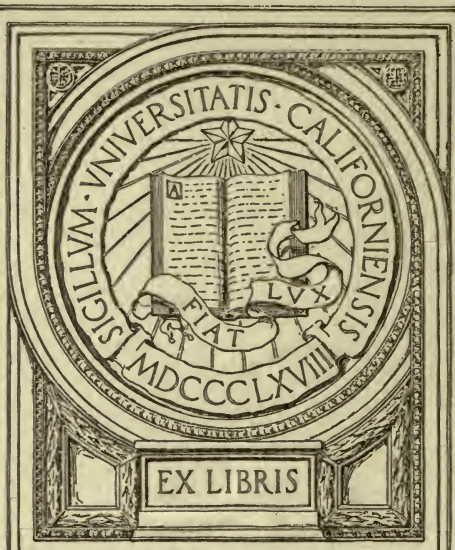
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The Manufacturer's Wage Problem

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of the
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UNIV. OF CALIFORNIA

THE UNION LEAGUE CLUB
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Mr. Herbert F. Perkins has been actively engaged in manufacturing industries since his college days—first with the National Malleable Castings Co., and subsequently, since 1899, with the McCormick Co. and the International Harvester Co., in which latter company he holds the position of Division Manager, in charge of manufacturing.

From the latter part of May to the end of December, 1918, Mr. Perkins was attached to the War Policies Board in Washington, D. C., under the Department of Labor, as Business Adviser to the Chairman, Mr. Frankfurter. In this position Mr. Perkins had exceptional opportunity to see the whole situation in its true perspective.

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The Manufacturer's Wage Problem

THE manufacturer of the United States is emerging from a period of intensive effort, accompanied by a constantly increasing cost of production, due to mounting material prices and labor rates. Higher cost of production, translated into commodity prices, has immediately been reflected in the living cost of the wage-earning classes.

It is evident that, in proportion as living costs have advanced without a corresponding advance in the standard of living, increased wages have been purely an increase in dollar wages, but not in actual prosperity.

Owing to the tremendous demands for food abroad, that part of the working man's cost of living which is made up of his food supplies, has advanced perhaps more rapidly than other items which directly affect him. Investigation has shown that for the working man's family, food constitutes from forty to fifty per cent of the family budget and that for the lower paid workman, the proportion borne by food has been higher than for the highly paid.

With the advancing cost of conducting business, the manufacturer has suffered an increasing strain upon his capital resources and has been compelled to increase his selling price to protect his advancing capital requirements.

The burden of government income tax and in less degree other taxes has developed through the exigency of war to undreamed of figures. In order to provide the annual cash outlay to meet these taxes and at the same time maintain normal net earnings, selling prices have had to be still further increased.

Employer and Employe Alike Loyal.

During this period the patriotic enthusiasm of the citizenship of the country, both employer and employe, has run high. Resources of capital and labor have been freely placed at the command of the government to prosecute a successful

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war and to maintain at the highest standard the world has known the conditions to be thrown around our armies in the field and in training in the cantonments at home.

This is no time to dissect the various degrees of self-interest or national loyalty which have influenced either the employer or the employe. There has been profiteering in both classes to the everlasting disgrace of the individuals justly so charged, but it would be unjust to the spirit of the whole population that has been shown during the war to indulge in implications against either the employer or the employe.

Period of Uncertainty Ahead.

Today the manufacturer of the United States faces a serious and uncertain future. He knows that for a year and a half to come the price of wheat has been guaranteed at the highest war price. He understands that his country, owing to the demoralized condition in other great food producing nations, is expected to protect food shortage in Europe and he therefore has reason to expect that foodstuffs generally will be in unprecedented demand, so that although the food requirements of armies is materially greater than the food requirements of the same population when returned to civil life, the cost of food in the workman's budget will continue at a high level for an extended period.

The still incomplete lists of our own losses in the war from death by battle and sickness and from crippling wounds evidence the dreadful disaster to the young manhood of our country that the fight for world-wide democracy has cost. Yet we know how small is our own disaster compared with the appalling loss to the fighting forces of our allies and of the enemy. The depletion of able-bodied men in those countries, the lower birth rate incident to the strain of the contest and the consequent decline in conditions of living are bound to be factors of great importance in limiting labor available for the period of reorganization in Continental Europe and in the colonies related to the European nations that have engaged in the four years' conflict. There is bound to be, from purely physical causes, a shortage of man power in these countries.

On the other hand, we know that with the great burden of debt which the war has laid upon the contesting nations,

their only salvation lies through intense labor and increased production and a consequent struggle for the trade of the world.

The unprecedented requirements of the allied nations have stimulated the spirit of invention, have broken down many of the impediments to production and stimulated the use of machinery and means of production along American methods, so that the manufacturing production per man in the allied countries, particularly England, has been heavily increased. It follows that the advantage which, through our manufacturing skill, we undoubtedly possessed in the period preceding the war, has been decreased. As an instance it has been reported that in the making of ammunition, the production per man in English arsenals, which before war was markedly less than in the American shops, had toward the end of the period of the war surpassed our own. Further, it would appear that, whatever problems the reconstruction period may bring, the relations between the wage-earners and management and the breadth of vision with which these groups have been approaching their mutual problems, have been vastly improved in England as compared with the pre-war period.

Men Return as Contracts Cease.

Now the war is over. Our men from the camps and our men from the ranks abroad are returning to the farms, the offices and the factories. Our great organizations built solely for the production of war requirements are emptying their thousands upon the labor market. Hundreds of establishments, large and small, that had increased or modified their facilities to meet the special requirements of warfare, not only for our own soldiery during the last year and a half, but also for the soldiery of the allies for the past four years, are, simultaneously with the return of these millions of men, having their contracts cancelled.

The problem of industry is now to reorganize the implements of manufacture to meet the demands of peace, to find work for the returning khaki-clad thousands, and, most fundamentally of all, to find the markets which shall take the product of these facilities and of these men, and in addi-

tion of those men and women, who, as soldiers of industry, have just as truly been prosecuting the war at home by the contribution of their united efforts in the production of munitions, clothing and food. He would indeed be more than a man who could measure the problem and fit its answer and the man would be fool-hardy who would attempt the functions of a prophet.

The problem of immigration and of emigration will be a factor of no little importance in the final tale, but this is so insoluble a question at present that it can only be suggested, not answered. It would appear, however, as more than a mere probability that the period of inflation and apparent great prosperity which this country has been going through, must be succeeded by deflation and a time, perhaps measured by months rather than years, of pronounced decline in volume of business. After this period has passed we may hope that, partly in consequence of the great destruction of material things which the war has entailed, there will follow a period of tremendous production of essentials and of great general prosperity for America.

Immediate Decline in Wages Undesirable.

Perhaps one of the most vital problems will turn upon the distribution which shall be given to the values that are to be created. Are they to be apportioned as heretofore or are they to be differently distributed? Too many employers, with their minds more on the experience of the past than the promise of the future, have been watching anxiously and often nervously the constant rise in money wages. The thought has been borne strongly in upon them that the historical and therefore the most natural and correct method of meeting the period of declining business and profits is through the prompt reduction of the wage rate attained through the stimulation of these past years of conflict. **It does not seem possible, however, that such a thought can be the proper immediate reaction of peace to the spirit which impelled the United States to take up arms in the fight against the Central Powers.** Surely none of us whose minds have accompanied our hearts in determining our relation to the great struggle can dismiss the conviction that the democracy for which we have battled is not democracy

of the ballot alone, but democracy in all fundamental relations, including those that are industrial as well as those that are political. We have struggled for a democracy, not utopian or unguarded, but controlled by law and recognizing efforts and purposes, intelligence and capacity, a democracy using law to bring to the less gifted or less fortunate higher ambitions and growing efficiency.

Nor is it unreasonable to believe that along this line may be found the most genuine and most broad prosperity of all groups.

A study of the figures of the income of our nation for a long period preceding the war will reveal the fact that, in the years of relatively lowest domestic consumption, the ratio of our income from sales outside of our country to the income from business within our country was approximately as one to five, while in years of active home trade the ratio has been from one to ten, to one to seven.

Home Markets Most Important.

There are, in the United States, more than thirty million people largely dependent upon fixed compensation; and of these the wage-earners in our factories, offices, mills and mines are the largest single group. **It would follow that the prosperity of our home market and consequently the prosperity of the manufacturers of America depends upon the buying capacity of the wage-earners of this country in a degree that we have not been wont to measure adequately.**

So it is hard to believe that in moments of sober reflection the manufacturer of America will begrudge for the wage-earners of America the considerable gain that has accrued to at least a very large number of them and their families through their increased income above the actual advance in cost of living during the period of the war.

Freak wages growing out of careless setting of high piece rates in cost-plus war work and other such absurdities or blunders, to apply no worse names, will, of course, not stand the light of common sense business and will have to go; and the men who have been the lucky recipients in the past, while quite humanly protesting, will accept the necessary situation much as a lucky business man would say

good bye to a passing shower of profit. Wage-earners are human and humanly sensible.

May Hold Share of World Trade.

It may be quite possible by ingenuity, invention and management, through the stimulation to individual production that naturally accompanies a period of depressed industry, and, most important because as yet quite unmeasured, through a careful study of the possibilities of improved industrial relations between management and men, that we may hold our share of the world's trade. It is hard to determine what is any nation's just share. Perhaps it is all that it can fairly get, but we surely may assume that in the long run we cannot afford to struggle for trade at the expense of the physical and moral and social development of any group of our population. We know that as citizens of a nation we love and wish to make greater and more powerful in all good lines, industrial managers will unselfishly determine, and as shrewd business men in all honorable and far-seeing self-interest will unite, to promote the upgrading of those, who through lack of training, or opportunity, or native ability or because of improper economic methods, have lived under inadequate standards. If need be the opportunities of the future must now as always, with far-seeing men, warrant temporary and immediate sacrifice.

Food Must Decline Before Wages.

When the prices of foodstuffs shall have fallen by the removal of artificial props and through the returned productivity of various lands at present either wasted by war or handicapped through shortage of laborers or through unwillingness to toil; when abnormal profits and wasteful methods incident to the period of the war have been eliminated; and when, through a closer co-operation between management and wage-earners, the possibilities of increased production have been secured, the elements that go to make the wage-earner's budget will show an appreciable decrease. **Then—and not until then—regulated by the maintenance of general and not class prosperity, should adjustments in**

wage rates be attempted on the basis of the buying value of the dollar.

If the worst comes and, through the pressure of competition from abroad, it becomes evident that with all other resources exhausted, general employment and consequently general prosperity can only be maintained by a decline in commodity wage, such further adjustment must necessarily follow.

It is necessary to emphasize that until all other expedients are exhausted, the policy of forcing a lower standard of living by reduction of the money wage, while living costs are still approximately at their peak, or at any time to reduce the commodity wage, particularly to do so by arbitrary discharge and rehiring or any of the other discredited methods which have at times been more or less common, would be the veriest exhibition of not only injustice, but of folly. It would surely be accompanied by hostility on the part of the great wage-earning community, as well as on the part of the clear-thinking men in the community at large; would be the surest way to increase the power of the demagogue, whether he be politician or unprincipled labor leader; would widen the unfortunate cleavage, which we should be mending instead of spreading, between wage-earners and management; and, at the present crisis when the influenza of Bolshevism is abroad in the world, it would undoubtedly rapidly spread this disease in our own country. It would, in short, be bad morals and bad business.

More than once reference has been made above to the increase in production which it is believed would follow improved relations between labor, management and capital. This is a problem that burdens the minds of all sincere students of the ideals that have supported the world war. Many efforts to develop a new democracy of industry are being made in England and serious and promising ventures in this direction are being launched in the United States. The thread of gold that runs through the fabric of all these plans is the recognition of the inherent mutuality of interest of labor and management. These are indispensable one to the other and must come to represent not classes of men, but factors of success often combined in a single individual. Exploitation of the wage-earner on the one hand

or disintegration of management or capital on the other, can in the long run work to the good of none and are destructive of production of goods, which is the basis of our prosperity. Confidence in mutual justice and fair dealing between man and man is bound to open the fountains of effective energy in production as nothing else can do to the unfolding of the greatest material and social prosperity the world has known.

Jan. 13, 1919.

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